



Retiree Health Benefits

State of Idaho

Department of Administration

August 2008

[Retiree Health Benefits]

In 2008 there were two major factors that impacted the retiree medical plans

- Health care reserve accounts were depleted

- The advent of GASB 45

[Health Care Reserve Accounts]

For the past two years the state has paid needed health care premium increases from reserve funds

- \$26.7 million total

- \$7.0 million for Retirees

Those reserves were depleted at the end of FY 2008. This has resulted in significant increases on the Active and Retiree medical plans for FY 2009.

Governmental Accounting Standards Board (GASB)

The Governmental Accounting Standards Board establishes the accounting standards which all state and local governmental entities in the United States must follow in their audited financial statements

Beginning FY2008 – GASB requires that all states disclose any unfunded liabilities resulting from the funding of retiree benefits other than pensions. These benefits are called “Other Post Employment Benefits” (OPEB).

[GASB 45]

While compliance with these standards is currently voluntary, **failure to follow them would result in a loss of credit rating, inability to borrow money,** increased likelihood of federal statutes mandating compliance and loss of federal grant proceeds

[GASB 45]

The State commissioned the actuarial firm of Milliman, Inc. to calculate this liability and to provide recommendations to reduce the liability

The Retiree medical benefit is currently a pay-as-you-go system without any recognition of the liability for the state paid portion of the cost of the retiree plan

The state of Idaho currently has an OPEB liability of \$477 million for the retiree medical plan. This is an increase from the \$442 million liability at the end of FY 2008.

[GASB 45 Liability]

The following recommendations will lower the State's GASB liability from \$477 million to under \$100 million.

- Freeze the state subsidy to early retirees

- Remove Medicare eligible retirees and Medicare eligible dependents from the state health care plan

- Require that non-Medicare eligible retirees retire directly from state service to qualify for health plan

- New employees hired after 7/1/09 would not be eligible for any retiree medical benefit

GASB 45 Projected Liabilities and Impact of Recommended Changes

FY Ending	Accrued Unfunded Liability	
	Following Current Practices (in millions)	With Recommended Changes (in millions)
6/30/2007	\$408.60	\$83.30
6/30/2008	\$442.30	\$81.60
6/30/2009	\$477.50	\$77.30
6/30/2010	\$514.90	\$80.00
6/30/2011	\$555.10	\$82.30
6/30/2012	\$598.00	\$84.20
6/30/2013	\$643.80	\$85.90
6/30/2014	\$692.80	\$87.30
6/30/2015	\$745.00	\$88.30
6/30/2016	\$800.80	\$89.10

[SB 1447 – Session 2008]

Based on the recommendations from Milliman, during the 2008 Legislative session the Department of Administration drafted a bill (SB 1447) that would make significant changes to how Retiree health benefits are administered. This legislation was a direct result of GASB 45

What did 1447 say:

- Changed eligibility requirements to no longer provide a retiree medical plan for Medicare eligible retirees and Medicare eligible dependents

- Guaranteed joint rating of health benefits plan for retirees and dependents under 65 with active employee plan

- Guaranteed subsidy to under 65 retirees

[2009 Legislation]

There will be new and very similar legislation introduced in 2009

Under 65 retirees

Guaranteed subsidy

Guaranteed joint rating with active plan

Expect annual premium increases of 12-15%

While retirees have been receiving the benefit of a state subsidy and joint rating, there is nothing in statute that requires it.

Without the benefit of joint rating, the retiree plan would have went up 74% in FY 2008

[2009 Legislation]

Over 65 retirees

- Eliminate statutory requirement for coverage of Medicare eligible retirees and Medicare eligible dependents

- Provide assistance in transition to Medicare supplement plans by identifying available resources

- The state will continue to use its negotiating power to find comparable plans at cheaper rates through open-market vendor

- Ability to use sick-leave funds to pay premiums with major vendors

- Dependents under 65 would remain on the state plan and receive the state subsidy

[Effects on Retirees]

Under 65

Financial impact

Over 65

Substantial changes

Coverage Options for Over 65 Retirees

Includes:

Medicare Part A – Hospital Insurance

\$1,024 deductible for hospital stays up to 60 days,
additional costs after 60 days

Medicare Part B – Medical Insurance

\$135 annual deductible

20% co-insurance for my Part B services

Medicare Part C – Medicare Advantage Plan

Takes the place of original Medicare Part A & B

Medicare Part D – Prescription Drugs

[Medigap Plans]

Health insurance plans sold by private companies to fill “gaps” in the original Medicare plan (Parts A & B) coverage

Gaps may include deductibles, co-insurance, co-payments, etc

Does NOT work with Medicare Advantage plans

Up to 12 standardized plans available (Plans A – L)

[Medigap Plans]

Plans available for purchase

Enrollment

- Initial eligibility within 6 months of enrolling in Part B

- Must be age 65 or over

Enrollment after initial eligibility

- If they lose certain kinds of health insurance through no fault of their own

- If they leave Medicare Advantage plans under certain circumstances

- Whenever a vendor is willing to sell them one

Monthly premiums

- Generally able to go to any Doctor or specialist

[Medicare Advantage Plans]

There are four types of Medicare Advantage plans

- Health Maintenance Organization (HMO) Plans

- Preferred Provider Organization (PPO) Plans

- Private Fee for Service Plans

- Medicare Medical Savings Account (MSA) Plans

[Eligibility for Medicare Advantage Plans]

Must live in the plan service area

Entitled to Medicare Part A

Enrolled in Medicare Part B

Continue to pay Part B premium

May also pay monthly premium to plan

May not have End Stage Renal
Disease (ESRD) at enrollment

Some exceptions

[Medicare Advantage Plan]

Typically get all Part A and B services through the plan

- May have to use providers in plan network

- Typically must still pay Part B premium

- May get extra benefits such as vision, hearing, dental and prescription drug coverage

Still in Medicare program

- Entitled to all Part A and B services

- Continued Medicare rights and protections

[Medicare Prescription Drug Coverage]

Available to all people with Medicare
Provided through

Medicare Prescription Drug plans

Medicare Advantage and other Medicare plans

Comparison of State Plan and Market Plans

	FY2009 State Traditional Medical Plan	Blue Cross True Blue (HMO)	Regence Blue Shield MedAdvantage + Rx (PPO)	Blue Cross Classic Blue Plan "J"	Regence Blue Shield Senior Selection Plan "F"
Annual Deductible Individual Family	\$ 350 \$1,050	No Deductible No Deductible	No Deductible No Deductible	No Deductible No Deductible	No Deductible No Deductible
Co-Insurance/Co-payments	Member pays 20% after deductible is met	Member pays varying co- payment amount	Member pays varying co- payment amount	Member generally pays \$0	Member generally pays \$0
Dental	Not a benefit	Some Coverage	Some Coverage	Optional Plan available	Some preventive benefits
Vision	Not a benefit	Some Vision Coverage	Some Vision Coverage	Treatment of illness/injury only	Treatment of illness/ injury only
Prescription	No Deductible 30 day supply for \$10 to \$40 co- payment	No Deductible 30 day supply for \$6 to \$35 co- payment up to \$2,510; Member pays 100% thereafter until out-of-pocket = \$4,050	\$275 Deductible 30 day supply for \$5 to \$30 co- payment up to \$2,150; Member pays 100% thereafter until out-of-pocket = \$4,050	No Coverage Member must purchase Medicare Part D Plan for prescription coverage.	No Coverage Member must purchase Medicare Part D Plan for prescription coverage.

[Comparison of Costs]

	FY2009 State Traditional Medical Plan	Blue Cross True Blue (HMO)	Regence Blue Shield MedAdvantage + Rx (PPO)	Blue Cross Classic Blue Plan "J"	Regence Blue Shield Senior Selection Plan "F"
Monthly Premium (2008)	\$274.00	\$95 - \$130.00	\$120.00	\$152 - \$175.00	\$174 - \$206.00
Medicare Part D (2008)	N/A	N/A	N/A	\$30.00	\$30.00
Premium Impact -vs- State Plan*	N/A	Savings of \$179 - \$144.00	Savings of \$154.00	Savings of \$92 - \$69.00	Savings of \$70 - \$38.00

* These savings are based on a premium-to-premium only and do not include additional savings retirees may experience in deductible, co-insurance, prescription, dental and vision coverage.

[Next Steps]

Presentation of legislation

Bill would go into effect January 1, 2010

Ability to leave state plan at any time

Major plan premiums payable with unused sick leave hours (max. 600)

SHIBA

[Questions?

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